

**JACKSON-MADISON COUNTY  
AIRPORT AUTHORITY**

**JACKSON, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
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For The Fiscal Year Ended June 30, 2017

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## **INTRODUCTORY SECTION**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
DIRECTORY**  
June 30, 2017

**BOARD MEMBERS**

Ryan Porter, Chairman  
James Ross, Vice Chairman  
Bob Maniss, Secretary  
Bill Sipes, Commissioner  
Tim Wilson, Commissioner

**MANAGEMENT TEAM**

Steve Smith, Executive Director  
Cindy Melton, Deputy Director

## **FINANCIAL SECTION**



## Independent Auditor's Report

To the Board of Directors  
Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension related schedules (Required Supplementary Information) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The introductory section, supplementary and other information section and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of passenger facility charges, investment income and related expenditures is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the financial statements.

The supplementary and other information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information is fairly stated in all material respects in relation to the financial statements as a whole.

Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Jackson, Tennessee  
January 5, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jackson-Madison County Airport Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. All amounts, unless otherwise indicated, are expressed in actual dollars. A comparative analysis of key elements of total governmental funds and total enterprise funds has been provided. A prior year comparative analysis of government-wide data has been provided.

### FINANCIAL HIGHLIGHTS

Management believes the Authority's financial condition is strong. The Authority is well within its stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$15.79 million and deferred outflows of resources were \$71 thousand and exceeded liabilities of \$452 thousand and deferred inflows of resources of \$22 thousand by \$15.39 million (i.e. net position).
- Net position increased \$5.80 million during the current year.
- Operating revenues were \$8.49 million, while operating expenses were \$2.69 million which resulted in an increase in net position of \$5.79 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary and other information section and 4) the internal control and compliance section. The introductory section includes the Authority's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The supplementary and other information section includes the schedule of revenues, expenditures, and changes in fund balance – general fund - budget and actual, the schedule of salaries and bonds of principal officials, schedule of state financial assistance and the schedule of federal awards. The internal control and compliance section includes the report on internal control and compliance.

### REQUIRED FINANCIAL STATEMENTS

The Authority's required financial statements include both government-wide financial statements and fund financial statements. The fund financial statements consist of governmental fund financial statements and business-type, proprietary fund financial statements. The Authority's governmental activities include general operations and capital projects. The Authority's business-type activities include the FBO (Fixed Based Operator).

#### Government-wide Financial Statements

The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Authority. As of June 30, 2017, the Authority had deferred outflows and inflows related its pension plan of \$71,930 and \$22,397 respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Activities* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority's profitability and credit worthiness. The government-wide financial statements can be found on pages 10 and 11 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Authority's funds can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Authority's near-term financing decisions. Both the Balance Sheet — Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 12 through 15 of this report.

Information is presented separately in the Balance Sheet — Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds for the General Fund and Capital Projects Fund, which are considered to be major funds.

*Proprietary funds* - Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Authority uses an enterprise fund to account for the Fixed Base Operations (FBO).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the FBO, which is considered a major fund of the Authority. The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the differences between the final budget and the actual expenditures for the year.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present

## MANAGEMENT'S DISCUSSION AND ANALYSIS

information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$15.39 million at the close of the most recent fiscal year. A portion of the Authority's net position, 92.22% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment.

Table 1A

#### CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 824,910	\$ 620,459	\$ 774,427	\$ 650,913	\$ 1,599,337	\$ 1,271,372
Capital assets	14,097,701	8,413,132	95,005	80,591	14,192,706	8,493,723
Total assets	14,922,611	9,033,591	869,432	731,504	15,792,043	9,765,095
Deferred outflows of resources	71,930	50,404	-	-	71,930	50,404
Other liabilities	369,237	129,723	82,819	60,237	452,056	189,960
Deferred inflows of resources	22,397	29,429	-	-	22,397	29,429
Invested in capital assets	14,097,701	8,413,132	95,005	80,591	14,192,706	8,493,723
Restricted	199,938	217,536	-	-	199,938	217,536
Unrestricted	305,268	294,175	691,608	590,676	996,876	884,851
Total net position	\$ 14,602,907	\$ 8,924,843	\$ 786,613	\$ 671,267	\$ 15,389,520	\$ 9,596,110

An additional portion of the Authority's net position, 1.30% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totaling \$996,876 may be used to meet the Authority's ongoing obligations.

The decrease of \$17,598 in restricted net position represented a decrease in restricted for capital projects.

**Statement of Activities** – Revenues in the governmental activities column exceeded expenses by \$5.68 million. Revenues significantly increased and expenses slightly increased during the year due to the fact that the Authority received more grant money from state and federal governments in the current fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CONDENSED STATEMENT OF ACTIVITIES

	Governmental		Business-type		Total	
	Activities		Activities			
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2017	2016	2017	2016	2017	2016
Program revenues	\$ 6,856,961	\$ 1,380,214	\$ 1,626,182	\$ 1,629,058	\$ 8,483,143	\$ 3,009,272
Non-operating revenues	2,213	8,379	-	-	2,213	8,379
Transfers in	146,655	101,637	-	-	146,655	101,637
Total revenues and transfers	7,005,829	1,490,230	1,626,182	1,629,058	8,632,011	3,119,288
Program expenses	1,327,765	1,343,822	1,364,181	1,288,717	2,691,946	2,632,539
Transfers out	-	-	146,655	101,637	146,655	101,637
Total expenses and transfers	1,327,765	1,343,822	1,510,836	1,390,354	2,838,601	2,734,176
Change in net position	5,678,064	146,408	115,346	238,704	5,793,410	385,112
Beginning net position	8,924,843	8,778,435	671,267	432,563	9,596,110	9,210,998
Ending net position	<u>\$ 14,602,907</u>	<u>\$ 8,924,843</u>	<u>\$ 786,613</u>	<u>\$ 671,267</u>	<u>\$ 15,389,520</u>	<u>\$ 9,596,110</u>

### COMMENTS ON FUND FINANCIAL STATEMENTS

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**General fund** – The focus of the Authority's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues in the general fund decreased from last year by approximately \$79 thousand. The most significant changes in revenues in the general fund were:

- A \$33 thousand decrease in operating subsidies
- A \$34 thousand decrease in advertising revenue received from the airline

Expenditures in the general fund decreased from last year by approximately \$22 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- A \$14 thousand decrease in administration expenses.

A budget is adopted for the General Fund but is used as a management tool and is not considered a legal spending restriction.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - At the end of the fiscal year, the Authority had invested \$14.19 million in a variety of capital assets. See Note 6 to the financial statements for details.

**Debt** – At year ended June 30, 2017 the authority had no outstanding long-term debt.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There are no substantial changes anticipated for next year's budget for the general, capital projects funds and FBO funds. Rehabilitation and expansion of airport facilities will continue as previously set forth by the authority's master plan.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jackson-Madison County Airport Authority, 308 Grady Montgomery Drive, Jackson, TN 38301.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 388,484	\$ 670,754	\$ 1,059,238
Receivables			
Accounts	12,646	54,353	66,999
Intergovernmental	-	10,115	10,115
Grants	288,876	-	288,876
Inventories	3,886	39,205	43,091
Deposits on contracts	131,018	-	131,018
Capital assets not being depreciated			
Construction in progress	6,602,337	-	6,602,337
Capital assets being depreciated (net of accumulated depreciation)			
Land improvements	572,203	-	572,203
Buildings	2,818,668	-	2,818,668
Infrastructure	3,983,234	-	3,983,234
Furniture and fixtures	-	26,951	26,951
Machinery and equipment	80,843	67,263	148,106
Vehicles	40,416	791	41,207
Total assets	<u>14,922,611</u>	<u>869,432</u>	<u>15,792,043</u>
<b>Deferred Outflows of Resources</b>			
Pension related	<u>71,930</u>	<u>-</u>	<u>71,930</u>
<b>Liabilities</b>			
Accounts payable	290,392	71,145	361,537
Compensated absences payable	45,461	7,109	52,570
Net pension liability	19,255	-	19,255
Refundable deposits	-	4,565	4,565
Unearned revenues	14,129	-	14,129
Total liabilities	<u>369,237</u>	<u>82,819</u>	<u>452,056</u>
<b>Deferred Inflows of Resources</b>			
Pension related	<u>22,397</u>	<u>-</u>	<u>22,397</u>
<b>Net position</b>			
Investment in capital assets	14,097,701	95,005	14,192,706
Restricted for capital projects	199,938	-	199,938
Unrestricted	305,268	691,608	996,876
Total net position	<u>\$ 14,602,907</u>	<u>\$ 786,613</u>	<u>\$ 15,389,520</u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Airport operation	\$ 1,327,765	\$ 425,365	\$ 98,015	\$ 6,333,581	\$ 5,529,196	\$ -	\$ 5,529,196
Business-type activities:							
FBO	1,364,181	1,626,182	-	-	-	262,001	262,001
Total	<u>\$ 2,691,946</u>	<u>\$ 2,051,547</u>	<u>\$ 98,015</u>	<u>\$ 6,333,581</u>	<u>5,529,196</u>	<u>262,001</u>	<u>5,791,197</u>
General revenues:							
Interest earnings					12	-	12
Vending and miscellaneous					2,201	-	2,201
Transfers					<u>146,655</u>	<u>(146,655)</u>	<u>-</u>
Total general revenues and transfer:					<u>148,868</u>	<u>(146,655)</u>	<u>2,213</u>
<b>Change in net position</b>					<b>5,678,064</b>	<b>115,346</b>	<b>5,793,410</b>
Net position - beginning					<u>8,924,843</u>	<u>671,267</u>	<u>9,596,110</u>
Net position - ending					<u>\$ 14,602,907</u>	<u>\$ 786,613</u>	<u>\$ 15,389,520</u>

The accompanying notes are an integral part of the financial statements.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 294,758	\$ 93,726	\$ 388,484
Receivables			
Accounts	12,646	-	12,646
Grants	-	288,876	288,876
Inventories	3,886	-	3,886
Deposits on contracts	<u>-</u>	<u>131,018</u>	<u>131,018</u>
<b>Total assets</b>	<b><u>\$ 311,290</u></b>	<b><u>\$ 513,620</u></b>	<b><u>\$ 824,910</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 1,878	\$ 288,514	\$ 290,392
Unearned revenues	<u>14,129</u>	<u>-</u>	<u>14,129</u>
Total liabilities	<u>16,007</u>	<u>288,514</u>	<u>304,521</u>
<b>Fund Balances</b>			
Non-spendable	3,886	-	3,886
Restricted for grant projects	-	225,106	225,106
Unassigned	<u>291,397</u>	<u>-</u>	<u>291,397</u>
Total fund balances	<u>295,283</u>	<u>225,106</u>	<u>520,389</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 311,290</u></b>	<b><u>\$ 513,620</u></b>	<b><u>\$ 824,910</u></b>

*The accompanying notes are an integral part of the financial statements.*



**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
RECONCILIATION OF STATEMENT OF NET POSITION  
TO GOVERNMENTAL FUNDS BALANCE SHEET**

June 30, 2017

Amounts reported for the governmental activities in the statement  
of net position (Page 10) are different because

Fund balance - total governmental funds (Page 12)	\$ 520,389
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	14,097,701
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences payable	(45,461)
Net pension liabilities of the pension plan are not current financial resources and therefore are not reported in the governmental funds	(19,255)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years	
Add: deferred outflows of resources related to pensions	71,930
Less: deferred inflows of resources related to pensions	<u>(22,397)</u>
Net position of governmental activities (Page 10)	<u>\$ 14,602,907</u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenues</b>			
Intergovernmental			
Grants			
Local	\$ -	\$ 390,080	\$ 390,080
State	25,740	370,216	395,956
Federal	-	5,573,287	5,573,287
Operating subsidies	72,275	-	72,275
Service and property use			
Space rentals	319,444	-	319,444
Concessions	15,143	-	15,143
Fuel flowage	38,564	-	38,564
Landing fees	6,552	-	6,552
Land rentals	31,523	-	31,523
Other			
PFC revenue	-	16,340	16,340
Vending and miscellaneous	-	10	10
Total revenues	<u>509,241</u>	<u>6,349,933</u>	<u>6,859,174</u>
<b>Expenditures</b>			
Current			
Fire protection	5,906	-	5,906
Maintenance and utilities	149,867	-	149,867
Administration	498,831	-	498,831
Control tower	17,820	-	17,820
Capital projects	-	6,324,766	6,324,766
Total expenditures	<u>672,424</u>	<u>6,324,766</u>	<u>6,997,190</u>
Revenues over (under) expenditures	(163,183)	25,167	(138,016)
<b>Other financing sources (uses)</b>			
Transfers in	<u>146,655</u>	<u>-</u>	<u>146,655</u>
<b>Net change in fund balance</b>	<b>(16,528)</b>	<b>25,167</b>	<b>8,639</b>
Fund balance, beginning of year	<u>311,811</u>	<u>199,939</u>	<u>511,750</u>
Fund balance, end of year	<u><u>\$ 295,283</u></u>	<u><u>\$ 225,106</u></u>	<u><u>\$ 520,389</u></u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**RECONCILIATION OF STATEMENT OF GOVERNMENTAL FUND REVENUES**  
**EXPENDITURES AND CHANGES IN FUND BALANCE TO**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2017

Amounts reported for the governmental activities in the statement of activities  
(Page 11) are different because

Net change in fund balances - total governmental funds (Page 14)	\$	8,639
------------------------------------------------------------------	----	-------

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense. The difference  
between capital outlays and depreciation is itemized as follows:

Capital assets purchased in the current period		6,321,064
Current year depreciation expense		(636,496)

Some expenses reported in the statement of activities do not require the use of  
current financial resources and therefore are not reported as expenditures in the  
governmental funds.

Change in compensated absences payable		(6,848)
Change in net pension liability		(36,853)
Change in deferred outflows related to pensions		21,526
Change in deferred inflows related to pensions		7,032
Change in net position of governmental activities (Page 11)	\$	<u>5,678,064</u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2017

	<u><b>FBO</b></u>
<b>Assets</b>	
Current assets	
Cash	\$ 670,754
Receivables	
Accounts	47,249
Credit cards	7,104
Inventory	
Aviation gasoline	13,735
Jet fuel	13,757
Oil and additives	11,713
Due from United States Government	10,115
Total current assets	<u>774,427</u>
Noncurrent assets	
Capital assets	
Furniture and fixtures	47,256
Equipment	125,711
Vehicles	15,500
Accumulated depreciation	<u>(93,462)</u>
Total capital assets (net of accumulated depreciation)	<u>95,005</u>
Total assets	<u>869,432</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	67,679
Sales tax payable	3,466
Refundable deposits	4,565
Accrued leave	<u>7,109</u>
Total current liabilities	<u>82,819</u>
<b>Net position</b>	
Investment in capital assets	95,005
Unrestricted	<u>691,608</u>
<b>Total net position</b>	<u><b>\$ 786,613</b></u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**

For the Year Ended June 30, 2017

	<u>FBO</u>
<b>Operating revenues</b>	
Sales - fuel, oil and additives (net of bad debts of \$0)	\$ 1,289,074
Sales - other	5,723
Rentals	153,565
Other operating revenues	<u>177,820</u>
Total operating revenues	<u>1,626,182</u>
<b>Operating expenses</b>	
Cost of goods sold	875,944
Credit card fees	24,506
Uniforms	3,554
Catering	348
Advertising	2,146
Personnel cost	296,686
Depreciation	29,893
Dues and subscriptions	3,896
Equipment maintenance	451
FBO supplies	8,553
Truck lease	24,000
Professional fees	4,515
Flowage fee	32,599
Miscellaneous	16,187
Office supplies	3,384
Postage	163
Repairs and maintenance	17,054
Telephone	2,395
Travel	2,150
Utilities	<u>15,757</u>
Total operating expenses	<u>1,364,181</u>
Income before transfers	262,001
Transfers out	<u>(146,655)</u>
<b>Change in net position</b>	<b>115,346</b>
Total net position, beginning	<u>671,267</u>
Total net position, ending	<u>\$ 786,613</u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2017

	<u><b>FBO</b></u>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,291,757
Other operating receipts	337,108
Cash paid to suppliers	(853,367)
Cash paid to employees for services	(296,686)
Other operating payments	<u>(158,543)</u>
Net cash provided by operating activities	<u>320,269</u>
 <b>Cash flows from noncapital financing activities</b>	
Transfers out	<u>(146,655)</u>
 <b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	<u>(44,306)</u>
Net cash used by capital and related financing activities	<u>(44,306)</u>
 <b>Net increase in cash and cash equivalents</b>	 <b>129,308</b>
 Cash and cash equivalents - beginning of year	 <u>541,446</u>
 Cash and cash equivalents - end of year	 <u><b>\$ 670,754</b></u>
 Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 262,001
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	29,893
(Increase) decrease in receivables	2,683
(Increase) decrease in due from other governments	1,054
(Increase) decrease in inventories	2,058
Increase (decrease) in payables	<u>22,580</u>
 Net cash provided by operating activities	 <u><u><b>\$ 320,269</b></u></u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 1 – ORGANIZATION**

The Jackson-Madison County Airport Authority (the Authority) is a governmental entity, which is a joint venture between the City of Jackson and Madison County, Tennessee. There are no other governmental units that are considered component units of the Authority.

The Authority was created by a joint resolution of the governing bodies of the City of Jackson and Madison County, being vested with the authority for the “planning, establishment, development, construction, enlargement, improvement, maintenance, equipment operation, regulation, protection and policing of McKellar-Sipes Regional Airport for and on behalf of Madison County and the City of Jackson.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governments as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The funds related to the Authority included in this report are controlled by or dependent on the Authority’s Board. Control by or dependence on the Authority are determined on the basis of budget adoption, outstanding debt secured by revenues or general obligation of the Authority or the Authority’s obligation to fund any deficits that may occur.

**B. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities column incorporates data from the Authority’s enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**C. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the Authority’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds that exist are aggregated and reported as nonmajor funds. The Authority does not have any nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Authority reports the following major governmental funds:

The general fund is the Authority’s primary operating fund. It accounts for all financial resources of the Authority, except those accounted for in another fund.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

The capital projects fund accounts for the acquisition and construction of the Authority's major capital assets, other than those acquired by proprietary funds.

The Authority reports the following major enterprise fund:

The fixed base operations (FBO) fund accounts for the activities of the Authority related to the operation of a fixed base operation on the premises of McKellar-Sipes Regional Airport.

During the course of operations, the Authority may have activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in the governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, if any activity occurs during the year involving transfers of resources between funds, these amounts in the fund financial statements are report at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. The Authority transferred \$146,665 from the FBO to the general fund for operating purposes during the year ended June 30, 2017.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within twelve months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.



**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**D. Impact of Recently Issued Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for financial statements for periods beginning after June 15, 2016, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for financial statements for periods beginning after June 15, 2017. These Statements establish standards for recognizing and measuring assets, liabilities, deferred outflows of resources and deferred inflows of resources and expenses/expenditures related to other post employment benefits. Note disclosure and required supplementary information requirements are also addressed. Management is currently evaluating the impact of these new standards on their financial statements.

**E. Assets, Liabilities, and Net Position or Equity**

***Deposits and Investments***

The Authority's cash and cash equivalents are considered to be cash on hand and demand deposits. All interest earned is allocated to the source from which the cash originated.

***Inventories***

Inventories are stated at lower of cost or market using the first-in, first-out cost flow assumption.

***Capital Assets***

Capital assets, which include equipment and furniture, are included in the government-wide financial statements. The Authority land and building are titled to the City of Jackson and Madison County, and therefore are not included in the Authority's capital assets. Capital assets are defined by the Board as assets with an initial, individual (or group combined) cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Authority are depreciated using the straight line method over the following useful lives:

Land improvements	20 years
Buildings	10 - 40 years
Infrastructure	10 - 50 years
Furniture and Fixtures	5 - 10 years
Machinery and equipment	5 - 50 years
Vehicles	5 - 20 years

***Compensated Absences***

The Authority records as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. The employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 30 days. The current portion of the accrued vacation at June 30, 2017 recorded in the General Fund is the amount that would normally be liquidated with

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
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expendable available financial resources. Accumulated annual leave at June 30, 2017 totaled \$45,461.

Full-time employees accrue sick leave up to a maximum accumulation of 120 days. However, no employees retain any vested interest in their unused sick leave upon termination of employment.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has three items that qualify for this form of reporting in the statement of net position – deferred outflows caused by pension contributions subsequent to the measurement date, the difference between expected and actual experience related to pension and difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two item that qualifies for this for of reporting in the statement of net position – deferred inflows resulting from the net difference between projected and actual earnings in the pension plan investments and difference between expected and actual experience as of June 30, 2017.

**Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance Policies and Flow Assumptions***

In accordance with GASB No. 54, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the Authority Charter, Authority Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of Directors ordinance or resolution. To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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Assigned – Amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Directors or the finance committee has provided otherwise in its commitment or assignment actions.

**Program Revenues**

Program revenues in the governmental funds consist primarily of space and real estate rentals and various concession-type fees.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additional to/deductions from the Authority's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The Authority adopts annual operating budgets on a basis consistent with generally accepted accounting principles. The operating budget serves as a management control device that is presented to the city and county for their consideration in providing operating support and grants to the Authority. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

Some Capital Projects Fund expenditures are also budgeted in accordance with generally accepted accounting principles. However, project-length financial plans are also adopted for certain other Capital Projects Funds expenditures.

# **JACKSON-MADISON COUNTY AIRPORT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

### **NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

#### **A. Explanation of Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

Explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position are presented on page 13.

#### **B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

Explanations of the nature of individual elements of items required to reconcile the net changes in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities are presented on page 15.

### **NOTE 5 – CASH AND INVESTMENTS**

#### ***Custodial Credit Risk***

The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2017, all bank deposits are fully collateralized or insured.

### **NOTE 6 - CAPITAL ASSETS**

Capital assets acquired in the General Fund are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Authority's capitalization policy. The City of Jackson and Madison County budget for Capital Outlay by the Authority, and pays directly for the items so budgeted. These items are also included in the Capital Asset account, if they meet the criteria. The land occupied by the Authority is owned by the City of Jackson and Madison County and is therefore not reflected in these financial statements. Capital asset activity for the year ended June 30, 2017 was as follows:

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Construction in process	\$ 800,316	\$ 6,263,546	\$ 461,525	\$ 6,602,337
Total capital assets not being depreciated	800,316	6,263,546	461,525	6,602,337
Capital assets, being depreciated				
Land improvements	264,688	460,257	-	724,945
Buildings	6,734,967	47,262	-	6,782,229
Infrastructure	5,948,654	-	-	5,948,654
Furniture and fixtures	8,692	-	-	8,692
Machinery and equipment	891,929	11,525	13,760	889,694
Vehicles	656,017	-	-	656,017
Total capital assets, being depreciated	14,504,947	519,044	13,760	15,010,231
Total capital assets	15,305,263	6,782,590	475,285	21,612,568
Less: accumulated depreciation for:				
Land improvements	133,996	18,746	-	152,742
Buildings	3,708,863	254,698	-	3,963,561
Infrastructure	1,658,064	307,356	-	1,965,420
Furniture and fixtures	8,692	-	-	8,692
Machinery and equipment	804,612	17,999	13,760	808,851
Vehicles	577,904	37,697	-	615,601
Total depreciation	6,892,131	636,496	13,760	7,514,867
Governmental activities capital assets, net	\$ 8,413,132	\$ 6,146,094	\$ 461,525	\$ 14,097,701

Amounts remaining in capital outlay in the governmental-wide column are for items that did not meet the capitalization criteria.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets, being depreciated				
Furniture and fixtures	\$ 35,573	\$ 15,887	\$ 4,204	\$ 47,256
Machinery and equipment	99,944	28,419	2,652	125,711
Vehicles	38,500	-	23,000	15,500
Total capital assets	174,017	44,306	29,856	188,467
Less: accumulated depreciation for:				
Furniture and fixtures	18,416	6,092	4,204	20,304
Machinery and equipment	41,467	19,633	2,652	58,448
Vehicles	33,542	4,167	23,000	14,709
Total depreciation	93,425	29,892	29,856	93,461
Business-type activities capital assets, net	\$ 80,592	\$ 14,414	\$ -	\$ 95,006

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense for the year ended June 30, 2017 was \$666,389.

**NOTE 7 – PENSION PLANS**

**A. Tennessee Consolidated Retirement System**

**General Information about the Pension Plan**

*Plan Description.* Certain employees of Authority are provided a an agent multi-employer defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The Authority participates in TCRS through Madison County, a separate legal entity. Consequently the Authority's participation is accounted for as a multi-employer cost-sharing plan for purposes of the Authority's financial reporting. Certain employees of the Authority employed prior to July 1, 2012 are provided with membership in the Tennessee Consolidated Retirement System (TCRS). Participation in the plan was frozen after that plan was closed after June 30, 2012. The TCRS was created by state statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* *Tennessee Code Annotated*, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPA is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

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Inactive Employees or Beneficiaries Currently Receiving Benefits	
Receiving Benefits	-
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Active Employees	<u>4</u>
Total	<u>4</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Madison County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, employer contributions for the Authority were 13.87% based on a rate of 100 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Madison County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The Authority's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. The Authority's net pension asset at June 30, 2017 represents 0.85% of the collective net pension asset as determined by Madison County.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Percentage Long-term Expected Real Rate of Return</u>	<u>Percentage Target Allocations</u>
U.S. Equity	6.46	33
Developed Market International Equity	6.26	17
Emerging Market International Equity	6.40	5
Private Equity and Strategic Lending	4.61	8
U.S. Fixed Income	0.98	29
Real Estate	4.73	7
Short-term Securities	-	1
Total		<u>100</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Madison County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
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**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2015	\$ 1,063,921	\$ 1,071,641	\$ (7,720)
Changes for the year:			
Service Cost	19,721	-	19,721
Interest	79,567	-	79,567
Differences Between Expected and Actual Experience	(13,000)	-	(13,000)
Contributions-Employer	-	31,600	(31,600)
Contributions- Employees	-	6	(6)
Net Investment Income	-	28,233	(28,233)
Benefit Payments, Including Refunds of Employee Contributions	(45,488)	(45,488)	-
Administrative Expense	-	(525)	525
Other Changes	-	-	-
Net Changes	40,800	13,826	26,975
Balance, June 30, 2016	\$ 1,104,721	\$ 1,085,466	\$ 19,255

*Sensitivity of the Net Position Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of the Authority calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Jackson-Madison County Airport Authority proportionate share of net pension liability	\$ 158,759	\$ 19,255	\$ (97,772)

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Expense.* For the year ended June 30, 2017, the Authority recognized pension expense of \$15,143.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2017, Madison County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,257	\$ (22,397)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	36,322	-
Contributions Subsequent to the Measurement Date of June 30, 2016	<u>32,351</u>	<u>-</u>
Total	<u>\$ 71,930</u>	<u>\$ (22,397)</u>

- (1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2018	(2,611)
2019	(2,611)
2020	12,083
2021	10,320
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**B. Deferred Compensation**

The Authority offers all employees a deferred compensation plan established pursuant to IRC Section 457 and also offers employees hired on or after July 1, 2012, a deferred compensation plan established pursuant to IRC Section 401(a). These plans are offered through participation

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

in the plans offered and administered by Madison County. The Authority will match each eligible participant's 457(b) salary deferrals dollar-for-dollar on the first one percent of compensation and 50 percent on the next six percent of compensation. This match is deposited into a 401(a) account. The amount of match provided during the fiscal year ended June 30, 2017 was \$2,341.

**NOTE 8 – REVENUE FROM OPERATING LEASES AND CONTRACTS**

A significant portion of the Authority's revenues come from operating leases on the Authority's property and various other concessions. All property under lease is owned jointly by the City of Jackson and Madison County. The Authority has future minimum revenues under operating leases as follows:

Year Ending <u>June 30,</u>	Minimum <u>Lease Revenues</u>
2018	\$ 167,682
2019	149,987
2020	101,927
2021	101,927
2022	94,427
2023-2027	353,994
2028-2032	92,505
2033-2037	30,000
2038-2042	3,000

The Authority has annual revenues of \$43,036 from leases cancelable by either party on thirty days' notice.

The Authority also receives the following revenues from concession contracts:

<u>Concession</u>	<u>Revenue Base</u>
Automobile rentals	7.50% of gross rents
Fuel sales	\$0.085 per gallon sold

**NOTE 9 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2017, the Authority or Madison County purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (ASSET)**  
**PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Authority's proportionate of the net pension liability (asset)	0.38%	0.38%	0.85%
Authority's proportionate share of the net pension liability (asset)	\$ (9,040)	\$ (17,598)	\$ 19,255
Authority's covered-employee payroll	196,293	210,055	228,829
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.61%	-8.38%	8.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.75%	101.97%	98.26%

Note: Ten years of data will be presented when in the future as available.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF AUTHORITY CONTRIBUTIONS**  
**PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
For the Fiscal Years Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 28,168	\$ 29,114	\$ 31,716	\$ 32,532
Contributions in relation to the contractually required contribution	<u>(28,168)</u>	<u>(29,114)</u>	<u>(31,716)</u>	<u>(32,532)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 196,293	\$ 210,055	\$ 228,829	234,544
Contributions as a percentage of covered-employee payroll	14.35%	13.86%	13.86%	13.87%

Note: Ten years of data will be presented when in the future as available.

## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

The supplementary and other information section of this report includes information not required to be included in the basic financial statements and is provided for the purpose of additional analysis.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental				
State maintenance grant	\$ 25,740	\$ 25,740	\$ 25,740	\$ -
Operating subsidies - local	-	-	55,275	55,275
Operatng subsidies for control tower - local	17,000	17,000	17,000	-
	<u>42,740</u>	<u>42,740</u>	<u>98,015</u>	<u>55,275</u>
Services and Property Use				
Space Rentals:				
Airline	8,625	8,625	8,625	-
Tee hangars	27,420	27,420	27,420	-
Hangar #3	7,650	7,650	7,650	-
Hangar #4 - Suite B	9,000	9,000	9,000	-
Hangars #8 and #10	34,721	34,721	34,721	-
Hangar #6	23,772	23,772	23,772	-
Hangar #10 - Suite B	5,400	5,400	900	(4,500)
Hangar # 6 office	8,415	8,415	8,415	-
Hangar #8 offices	16,200	16,200	12,620	(3,580)
Hanger 1 - TN Aircraft	15,000	15,000	15,000	-
EMA	60,000	60,000	60,000	-
AFSS/AFSFO	38,809	38,809	38,809	-
Car rental service area - building #15	1,620	1,620	1,620	-
Rental offices - terminal building #9	57,316	57,316	48,691	(8,625)
Fuel farm	10,000	10,000	10,000	-
Miscellaneous rent	-	-	-	-
Joint use - Army National Guard	10,000	10,000	10,000	-
Miscellaneous	-	-	2,201	2,201
	<u>333,948</u>	<u>333,948</u>	<u>319,444</u>	<u>(14,504)</u>
Concessions:				
Hertz	14,000	14,000	14,626	626
Enterprise	700	700	517	(183)
	<u>14,700</u>	<u>14,700</u>	<u>15,143</u>	<u>443</u>
Fuel Flowage:				
FBO	32,000	32,000	32,599	599
United Foods	8,785	8,785	5,965	(2,820)
	<u>40,785</u>	<u>40,785</u>	<u>38,564</u>	<u>(2,221)</u>
Landing Fees:				
Corporate Airlines	6,552	6,552	6,552	-

See the independent auditor's report.



**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Land Rentals:				
Agriculture	\$ 23,520	\$ 23,520	\$ 21,723	\$ (1,797)
Golf course	3,600	3,600	3,600	-
BellSouth	200	200	200	-
Hanger land lease	6,000	6,000	6,000	-
	<u>33,320</u>	<u>33,320</u>	<u>31,523</u>	<u>(1,797)</u>
Advertising:				
Airline	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total Services and Property Use	<u>439,305</u>	<u>439,305</u>	<u>411,226</u>	<u>(28,079)</u>
Other				
Transfers in	146,655	146,655	146,655	-
Bad debt	<u>(500)</u>	<u>(500)</u>	<u>-</u>	<u>500</u>
	<u>146,155</u>	<u>146,155</u>	<u>146,655</u>	<u>500</u>
Total Revenues	<u>628,200</u>	<u>628,200</u>	<u>655,896</u>	<u>27,696</u>
<b>Expenditures</b>				
Current				
Fire Protection				
ARFF training and supplies	2,000	2,000	2,280	280
Fuel, oil and grease	2,000	2,000	1,904	(96)
Maintenance- fire equipment	<u>2,000</u>	<u>2,000</u>	<u>1,722</u>	<u>(278)</u>
	<u>6,000</u>	<u>6,000</u>	<u>5,906</u>	<u>(94)</u>
Maintenance and Utilities				
Janitorial supplies	4,500	4,500	4,571	71
Fuel, oil and grease	9,000	9,000	2,681	(6,319)
Maintenance - ARFF	1,500	1,500	9,570	8,070
Maintenance - other	57,000	57,000	65,656	8,656
Outside lighting	8,000	8,000	8,185	185
Utilities	54,000	54,000	56,076	2,076
Maintenance equipment	<u>2,000</u>	<u>2,000</u>	<u>3,128</u>	<u>1,128</u>
	<u>136,000</u>	<u>136,000</u>	<u>149,867</u>	<u>13,867</u>

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Current:				
Administration				
Personnel cost	415,000	415,000	442,504	27,504
Dues and publications	5,000	5,000	6,443	1,443
Automobile expense	2,000	2,000	5,399	3,399
Office equipment	1,000	1,000	2,623	1,623
Administration	8,000	8,000	5,503	(2,497)
Legal and accounting	10,000	10,000	11,303	1,303
Office supplies and postage	4,500	4,500	3,823	(677)
Communications	4,000	4,000	4,524	524
Repairs and maintenance	200	200	533	333
Promotion	20,000	20,000	16,176	(3,824)
	<u>469,700</u>	<u>469,700</u>	<u>498,831</u>	<u>29,131</u>
Control Tower				
Utilities	7,500	7,500	9,146	1,646
Maintenance and janitorial	5,000	5,000	5,408	408
Equipment purchases and repairs	1,000	1,000	2,464	1,464
Miscellaneous	-	-	802	802
	<u>13,500</u>	<u>13,500</u>	<u>17,820</u>	<u>4,320</u>
Total expenditures	<u>625,200</u>	<u>625,200</u>	<u>672,424</u>	<u>47,224</u>
<b>Net change in fund balance</b>	<b><u>\$ 3,000</u></b>	<b><u>\$ 3,000</u></b>	<b><u>\$ (16,528)</u></b>	<b><u>\$ (19,528)</u></b>
Fund balance, beginning of year			<u>311,811</u>	
Fund balance, end of year			<u><u>\$ 295,283</u></u>	

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2017

**Revenues**

Intergovernmental	
Grants - local governments	\$ 390,080
Grants - TDOT Aeronautics Division	5,943,501
	<u>6,333,581</u>
Other	
PFC revenue	16,340
Interest and miscellaneous	12
	<u>16,352</u>
 Total revenues	 <u>6,349,933</u>

**Expenditures**

Capital Projects	
State and local projects	71,005
FAA capital projects	6,192,537
Miscellaneous local projects	676
Other capital improvements	39,111
Total expenditures	<u>6,324,766</u>

<b>Net change in fund balance</b>	<b>25,167</b>
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Fund balance, beginning of year	<u>199,939</u>
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Fund balance, end of year	<u><u>\$ 225,106</u></u>
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*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS**  
June 30, 2017

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Tim Wilson	Commissioner	None	\$ 500,000
John Ross	Commissioner	None	500,000
Bill Sipes	Commissioner	None	500,000
Ryan Porter	Commissioner	None	500,000
Bob Maniss	Commissioner	None	500,000

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF PASSENGER FACILITY CHARGES**  
**INVESTMENT INCOME AND RELATED EXPENDITURES**  
For the Year Ended June 30, 2017

**Passenger Facility Charges under Title 49, U.S.C., Section 40117**

Balance, beginning	\$ 47,640
Passenger facility charge revenue recognized during period	16,340
Interest earned allocated to PFC funds	12
Expenditures during the period	<u>(27,810)</u>
Balance, ending	<u>\$ 36,182</u>

**Basis of Presentation:**

The accompanying expenditures of passenger facility charges summarizes the expenditures of the Jackson-Madison County Airport Authority under the FAA PFC program for the year ended June 30, 2017. The expenditures are presented using the modified accrual basis of accounting.

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2017

<b>Federal Grantor / Pass-Through Grantor</b>	<b>CFDA #</b>	<b>Grant Number</b>	<b>Expenditures</b>
<b>Federal Awards</b>			
United States Department of Transportation / Tennessee Department of Transportation - Aeronautics Division -			
Airport Improvement Program	20.106	AERO-16-194-00	\$ 476,861
Airport Improvement Program	20.106	1401-B	4,817,295
Airport Improvement Program	20.106	AERO-14-157-00	<u>279,131</u>
Total federal awards			<u>5,573,287</u>
<b>State Financial Assistance</b>			
Tennessee Department of Transportation - Aeronautics Division	N/A	AERO-14-157-00	15,507
Aeronautics Division	N/A	1401-B	267,627
Aeronautics Division	N/A	AERO-15-239-00	13,329
Aeronautics Division	N/A	AERO-15-112-00	38,618
Aeronautics Division	N/A	1603	8,643
Aeronautics Division	N/A	AERO-16-194-00	26,492
Aeronautics Division	N/A	AERO-15-144-00	-
Aeronautics Division	N/A	AERM-16-127-00	<u>25,740</u>
Total state financial assistance			<u>395,956</u>
Total federal awards and state financial assistance			<u>\$ 5,969,243</u>

**Note 1. Basis of Presentation**

The accompanying Schedule Expenditures of Federal Awards and State Financial Assistance (the Schedule ) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

*See the independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Board of Directors  
Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 5, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, we noted other matters involving the internal control and its operation that we reported to the management of the Authority in a separate letter dated January 5, 2018..

## Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Alexander Thompson Arnold, PE". The signature is written in a cursive, flowing style.

Jackson, Tennessee  
January 5, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Jackson- Madison County Airport Authority  
Jackson, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the Jackson-Madison County Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of

compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "Alexander Thompson Arnold, PE". The signature is written in a cursive, flowing style.

Jackson, Tennessee  
January 5, 2018



**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program And on Internal Control over Compliance in Accordance with the *Passenger Facility Charge Audit Guide for Public Agencies***

To the Board of Directors  
Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

**Report on Compliance for the Passenger Facility Charge Program**

We have audited the Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (FAA Guide), that could have a direct and material effect on the Authority's passenger facility charge program for the year ended June 30, 2017. The Authority's passenger facility charge program is identified as a major program in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the FAA Guide. Those standards and the FAA Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on the Passenger Facility Charge Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2017.

## **Report on Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the FAA Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

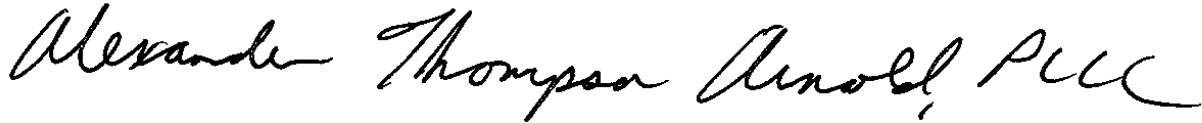
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the FAA Guide. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Passenger Facility Charges, Investment Income and Related Expenditures**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated January 5, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charges, investment income and expenditures of passenger facility charges is presented for purposes of additional analysis as required by the FAA Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

Jackson-Madison County Airport Authority  
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standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of passenger facility charges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink, reading "Alexander Thompson Arnold, PE". The signature is written in a cursive, flowing style.

Jackson, Tennessee  
January 5, 2018

# JACKSON-MADISON COUNTY AIRPORT AUTHORITY SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

## SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

### Financial Statements

Type of report the auditor issued on whether the financial statements audited were reported in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ no

### Passenger Facility Charge Program

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for passenger facility charge program

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Passenger Facility Charge Audit Guide for Public Agencies \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ no

### Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2CFR 200.516(a) \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ no

### Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes

\_\_\_\_\_ X \_\_\_\_\_ no

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2017

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – PASSENGER FACILITY CHARGE PROGRAM FINDINGS**

None reported.

**SECTION IV – FEDERAL AWARDS**

None reported.



**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
June 30, 2017

**Financial Statement Findings**

There were no prior year findings reported.

**Passenger Facility Charge Program Findings**

There were no prior year findings reported.

**Federal Awards**

There were no prior year findings reported.